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MESSAGE

of

THE HONORABLE CHARLES L. TERRY, JR.

to the

SECOND REGULAR SESSION OF THE
ONE HUNDRED TWENTY-THIRD GENERAL ASSEMBLY

of the

STATE OF DELAWARE

DOVER

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MR. PRESIDENT
MR. SPEAKER
LADIES AND GENTLEMEN OF THE 123RD GENERAL ASSEMBLY
FELLOW DELAWAREANS:

While I have been privileged to speak in this forum on several occasions during my year as Governor, this is the first opportunity I have had to address you on the State of the State.

Our State has experienced a real re-awakening in many areas in recent years, and I can see a continuance of this trend for the future. Practically every area of economic, governmental and social activity in the State suggests that we are at a turning point in the development of our natural and human resources.

Our economy, for instance, has taken on new dimensions and is at its highest level in history. Business has never been better in Delaware, and our economic base is becoming broader and more stabilized each day.

The rapid industrialization of our State deserves a major share of the credit for this rebirth. A well-conceived and well-planned program of industrial development has yielded new jobs, larger pay-rolls and greater opportunities for all our people within the past decade.

And it is my pleasure now, before outlining our fiscal picture, our achievements and needs, to once more congratulate you for the tremendous record of progress that you wrote for Delaware during 1965.

Any summation of the State's condition must begin with the budget and the estimates regarding revenue and expenditures.

Since we share the responsibility for the collection and appropriation of funds, it is my duty, which I am now fulfilling, to

present you the facts as I know them. I am pleased that my commentary on the fiscal situation need not be as alarming as it was when I addressed you last February, but neither can we afford to relax our vigilance.

A Budget Act is not a mere statistical document. It determines in large measure such things as the level of education we intend to provide for our children, the health, welfare, and rehabilitation programs we intend to operate the way we intend to police and maintain our highways, the extent to which we will act to conserve our natural resources, and the kind of recreational facilities we will make available to our citizens. It also determines the share of each family's earnings that must be paid to our State government.

It is not my intent here to go into detail regarding all the programs I think necessary for the legislative year now beginning, since I will, from time to time, as I have done in the past, come before you to outline projects of significance. In fact my remarks here will be confined to the budget, to education, which requires more than 50% of our expenditures, and to the dynamic growth of our State.

Automatic appropriations and the requests of the various agencies of the State for operating expenses during fiscal 1967 total \$153.3 million. Excluding \$1.5 million of bookkeeping inflation, this represents \$22.2 million, or a 17% increase over the \$129.6 million we expect to disburse this year.

My estimates of general fund revenue for fiscal 1967, not including extraordinary estate and inheritance taxes, total \$132.7 million, assuming a continued growth in our economy, the obvious and

inescapable fact is that all of the agency requests cannot be recommended.

After a careful review of our present agency programs and of the proposed new programs, I am recommending a Budget Appropriation Act of \$136.9 million for fiscal 1967. When this figure is increased by \$5 million for automatic appropriations and \$1.4 million for routine grants-in-aid, and decreased by \$3 million anticipated reversions, the total recommended general fund disbursement is estimated to be \$140.3 million. It should be noted, again for comparative purposes, that this figure is inflated by \$1.5 million as a result of statutory changes in the bookkeeping of certain Mental Health and Welfare Department funds.

The decision to recommend an annual disbursement of \$7.6 million in excess of anticipated annual revenue was not lightly made. But we must remember that just one year ago, the Revenue Study Committee forecasted for fiscal 1967 a seventeen million dollar deficit. Your fiscal responsibility and courage have been a major factor in reversing the alarming growth of our budget imbalance. We must continue our work toward a truly balanced budget, and I intend to recommend further steps to you in this regard. But we also must continue to update and expand the services provided our people.

In fiscal 1967 it is necessary to provide a budget increase of \$2.1 million for the repayment of principal and interest on our capital building program and an additional \$1.6 million for State employees' pensions. The latter increase is primarily due to the initiation of the Federal Medicare program under Social Security.

My recommended budget provides a 10% increase in the funds

appropriated to the Department of Mental Health, in order to assure that new programs in this vital field may be initiated. Increased funds have been provided to meet the federal staffing standards required of the Department of Public Welfare for continued federal financial participation at present levels for the Public Assistance and Child Welfare Service programs.

Appropriations to higher education have been increased by 10% to provide for increased enrollments and to allow for improvement in the quality of our higher educational programs. In the field of Public Education, it has been necessary to make provision for the customary 5% increase in pupil enrollment. I had also set aside a \$250,000 contingency to be used to transport private school pupils at public expense, in the event House Bill 273 was held constitutional. The Supreme Court's advisory opinion was to the contrary.

Our school buildings represent a public investment of many millions of dollars. The inexcusable failure of some school districts to budget for routine maintenance on these buildings often leads to major repair and replacement costs. As a first step in improving this situation, I am recommending an appropriation of \$500,000 earmarked for school building maintenance. This money would be allocated to the districts in an amount up to \$150 per unit of pupils, on the basis of building age and the willingness of the district to make a minimum local effort. It would not diminish the need for a delayed repairs bond bill of \$1 million, but should help us avoid such expenditures in the future.

Some of our State employees are being grossly underpaid, and many others are not receiving salaries really competitive with

private employment. Priority in the Budget Act for fiscal 1967 has been placed on improving these salaries within the limitation of available funds, especially for the hourly workers in the Highway Department, Motor Vehicle inspectors, State Police, Corrections Officers, and certain skilled employees. Many agencies are being asked to hold the line this year in their expenditures for services, supplies, and capital outlay, in order to make possible salary improvements which are urgently needed and, I am pleased to say, richly deserved in most cases.

Now let us examine the \$7.6 million of disbursements in excess of current revenues that I have recommended in light of our total financial picture. First, we should make full use of the income produced by the capital investment fund. I am recommending that part of the interest earned and to be earned on the capital investment fund, not the principal, be applied to cover the operational costs of Buena Vista and the Governor's House, and to help defray expenses caused by the recent storm. Further, I am recommending that the balance of this earned interest be applied to the payment of interest due on our capital building program. If this recommendation is approved, our estimated general fund disbursements will be reduced to \$138.8 million and our deficit to \$6.1 million for fiscal 1967.

During the present year, we now anticipate receiving \$6 million in inheritance and estate taxes, or \$4 million more than normal. While this is a "one time" revenue collection, it has nonetheless, together with the adoption of certain revenue measures courageously enacted by you, substantially strengthened our present financial situation. We can now estimate a cash balance on June 30, 1966, of

approximately \$17 million. If my recommendations are followed and if supplemental appropriations are held to a minimum, we can close fiscal 1967 with a cash balance of \$10.9 million. This compares with a projected deficit of almost nine million dollars made just one year ago.

It must be emphasized again that the use of excess cash balances cannot be continued. We must close the gap of \$6.1 million between revenues and disbursements during the next year. In order to achieve this goal, our Administration will pursue the following program:

A. Every effort will be made to limit disbursements during fiscal 1967 to the recommended \$140.3 million. All spending proposals will be carefully reviewed and must be justified; major supplementary appropriations must be accompanied by new sources of revenue to support them.

B. I think it important that we enact two bills that were introduced during the odd-year session of the 123rd General Assembly. They are revisions in the personal income tax laws and will yield, according to State Tax Department estimates, which admittedly may be high, from \$5.5 to \$6.5 million in additional revenue.

1.) The revision of the provisions applicable to non-residents' earnings in Delaware generally along the lines intended by House Bill No. 448 which was vetoed because of faulty wording.

2.) The elimination of federal gift taxes paid as a deduction on the Delaware personal income tax as recommended by the Governor's Revenue Study Committee last spring. It should be emphasized that this is not a gift tax. Federal income taxes on earnings cannot be deducted after the first \$300 (or \$600 on a joint return).

There can be no justification for treating federal gift taxes more favorable. Only Delaware and Missouri now do so among the states that have an income tax.

If these steps are taken, our budget will be close to a true balance. And our ingenuity and resourcefulness will be capable of making any further progress that is required. And we can do so without a sales tax and without any increase in the rates of either our individual or corporate income taxes. Such an accomplishment will establish this General Assembly as one of the most responsible and respected Legislatures in this Nation and in the history of our State.

It is not possible at this time to detail all of our expectations in the field of education, probably the single most important in the State. The distinguished committee, headed by Chief Justice Wolcott and including six other outstanding citizens of the State, is in the process of a thorough study of our primary and secondary educational establishment, and until we have their report, many recommendations must wait. I think the results will justify our patience.

However, I can inform you that never before in our history has there been closer liaison between the State Department of Public Instruction, the Governor, and the members of the General Assembly. The Department, during the past year, has moved with dispatch to clarify responsibility, establish lines of communication with other agencies, and shift personnel so that individuals may operate more effectively. They have also added new personnel at little state cost through the expedient of taking full advantage of Title V of the Federal Elementary and Secondary Education Act designed to assist the states in meeting their responsibilities. The Department

has, in fact, as I pledged it would, used every available federal dollar.

The past year was also significant for educational television. While it will require several years to measure the full effectiveness of the program, the initial reaction from the educational community has been vastly favorable. We have a full staff in operation, a production center producing its own programs, a constant program of research and development, and a sub-center at the University of Delaware to go with the main facility at Delaware State College. Thus we are able to provide quality ETV not only to our secondary schools, but to our College and University. Let me also remind you that we have fully met our commitment to Channel 12 which is supplying programs of general culture for the benefit and edification of all citizens of the State.

Our pupil enrollment is one of the fastest growing in the United States, and it has been no little achievement to have continued to keep those students properly housed and staffed. We shall not relax our standards in those areas.

For the first time in the history of Delaware, we now have a Manual setting forth guidelines for school construction. Along with the process of concurrent audit which has been instituted, this Manual has enabled us to effect savings in school construction, but more can be done in this field and I plan to propose specific steps after the Wolcott Committee has submitted its report.

We are moving in the field of consolidation, although perhaps too slowly. I can report that the number of districts has diminished from 83 two years ago to 56 today. It is the view of the

Superintendent of the State Department that Delaware should have no more than 18 or 20 districts, each offering grades one through 12. Generally speaking, I am inclined to agree, although we should have the report of the Wolcott Committee before establishing definitive standards. Further consolidation will enable us to have better utilization of our staffs.

With the recent approval of the vocational-technical school in New Castle County, we are now equipped with a facility of that type in all three counties. We have an opportunity to make them among the best of their kind in the country, and it is my intention, in cooperation with the State Board of Education, to do exactly that.

We have reached a point of some vital decision making in the development of our programs of higher education.

Throughout their history--and particularly during a long period of renewal and recovery from economic hardship--our institutions of higher learning have been encouraged to broaden the scope and raise the quality of their individual program to the fullest extent possible, while competing for the limited educational dollars which have been available.

Faced with this reality, it is evident that all of our programs of post-high school education will have to be closely and effectively coordinated in the months and years ahead.

Because of the rapidly growing number of our young people who are seeking to qualify for a higher share of the benefits of our growing economy, the development of a system of two-year training institutions has become a major factor in our post-high school program.

35 years ago only 10% of all jobs required some education or training beyond the high school level, but now economists and educational experts are estimating that by 1970, 68% of the jobs in the nation will require some education beyond the high school level.

Much of that training must be in the technical field, where basic skills are improved upon in keeping with our rate of growth and progress. Accordingly, it is my plan to come before you a little later in the year and outline my proposals for establishment of technical schools and for creation of an independent board to administer them.

Our economy, according to the Development Department and statistics from both private and public sources, is not only booming but in the forefront among the States of this Union. We have the highest per capita income and the lowest rate of unemployment.

But the key to productivity and usefulness is not jobs alone, but excellence. We want each of our youngsters to have the opportunity to advance to the fullest measure of his capacity in his chosen field of endeavor. We also want large and attractive industry to know they can come to Delaware and find here the trained and competent workmen that they need if they are to operate efficiently and competitively.

In that connection and in cooperation with the Development Department, we are planning a Governor's Conference on Business and Industry in the spring.

Delaware is ideally located in the heart of a gigantic metropolitan area extending from Richmond to Boston, and we must continually prepare ourselves to meet the challenge and take full advantage

of the possibilities.

Tourism is also booming in Delaware and it is now one of our largest industries. Let us continue to promote "Wonderful Delaware" and to attract to our State the thousands who are drawn by its history, its stability, its beaches and other natural resources, and its fine reputation as, in the words of Thomas Jefferson, "a jewel among the states." A Governor's Conference on Tourism is also in the planning stages.

Before I conclude, I want to also speak to you regarding several other important actions now pending or under consideration.

In December, I spoke to you regarding the need for a Water Resources Bill combining the functions of the Water and Air Pollution Authorities. The need for that legislation is no less today, and I urge you to move toward its speedy enactment.

The House Operations Committee completed a significant study last year and recommended creation of an expanded legislative council, something which I have also advocated, both during the campaign of 1964 and subsequently. While it would be fundamentally a legislative rather than executive operation, it would cooperate with all departments and greatly increase the efficiency of our work in many areas.

It is time that we proceeded to authorize an insurance law study to rectify many weak points in the existing legislation and to provide greater protection for those using insurance services which today number a vast majority of our population.

I would also remind you that we have underway studies on corporate law, criminal law, government reorganization, and the merit system. Reports from those committees will be forthcoming

during this year, and I hope to make them available to you and the people as soon as they are received. From there we can proceed to a point of legislative action in this abbreviated session, if possible, but certainly during the odd-year session of the 124th General Assembly.

We should also give thought to passing the uniform commercial code. I shall speak subsequently on the subjects of highways and health, mental health, and the judiciary and other areas of State government where detailed discussion would be of benefit.

I do not say 90 day session because you demonstrated in splendid fashion during 1965 that solid work and achievement can be done in less than the allotted span of time with the resultant savings to the taxpayers.

Ladies and gentlemen, I have spoken today longer than is usual for me in these messages.

But I want you to know that I am enthusiastic about the future, that it is promising in all of these areas that I have mentioned and many others, that growth and progress rooted in stability is the rich tradition of the solid citizens of our State. We shall perpetuate it and keep it alive for the youngsters of this age and for future generations, so that their Delaware may be as wonderful, as full of promise and the realization of dreams as is the present one.

We live in a remarkable era when discovery and invention is more in the order of things than ever before, when government is more dedicated than ever before to serving its people, and when the people themselves, secure in their way of life and firm in the dedication to the principles of democracy, live with a longer life expectancy, a more reasonable expectation of a good standard of

living and a brighter hope for creativity and usefulness in their lives than at any other time in the history of the world.

At a time when wars upon wars and rumors of wars are hovering over us, let us stand together. Let us be staunch. Let us have courage. Let us be in every true sense Americans.

Thank you.



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